METRO INC

Our Difference

2002 ANNUAL REPORT

METRO INC. is a leading Canadian food retailer and distributor with operations focused in Québec and Ontario. In Québec, the Company is the second largest food retailer and it also holds a dominant position in food service. In addition, it is active in the distribution of pharmaceutical products and as the franchisor of the Brunet and Clini-Plus pharmacies. In Ontario, METRO with its Loeb supermarkets ranks second in the Ottawa and northeastern regions of the province.

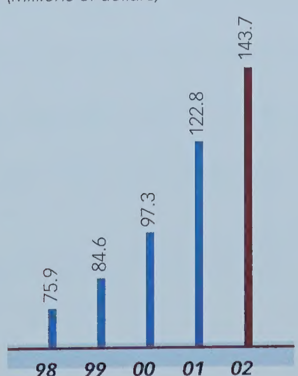
METRO is primarily a food retail distributor that strives to reward its shareholders with high returns. With its employees and those of its affiliated retailers, totaling more than 27,000 people, the Company is also an important contributor to the well-being and development of communities where it is present.

FINANCIAL HIGHLIGHTS

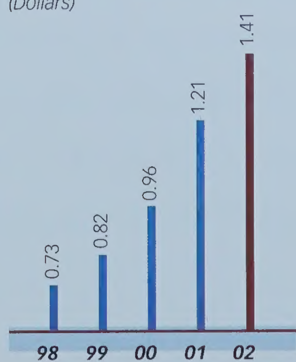
	2002	2001	Change (Percentage)
Operating results *(Millions of dollars)*			
Sales	5,146.8	4,868.9	5.7
Operating income	224.5	189.2	18.7
Net earnings	143.7	122.8	17.0
Cash flows from operating activities	226.0	146.2	54.6
Financial structure *(Millions of dollars)*			
Total assets	1,329.1	1,186.0	12.1
Long-term debt	25.0	55.3	(54.8)
Shareholders' equity	644.2	558.0	15.4
Per common share *(Dollars)*			
Net earnings	1.44	1.23	17.1
Fully diluted net earnings	1.41	1.21	16.5
Book value	6.47	5.57	16.2
Dividend	0.21	0.1725	21.7
Financial ratios			
Operating income/sales *(%)*	4.4	3.9	—
Long-term debt/ shareholders' equity *(xx:1)*	0.04	0.10	—
Return on shareholders' equity *(%)*	23.9	24.1	—
Market price *(Dollars)*			
High	22.37	18.87	18.5
Low	16.90	9.00	87.8
Closing price *(At year end)*	17.40	18.06	(3.7)

Sales
(Millions of dollars)

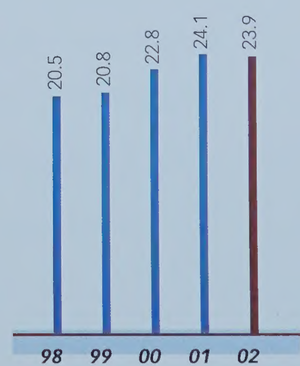
Net Earnings
(before unusual items)
(Millions of dollars)



Fully Diluted Net Earnings Per share
(before unusual items)
(Dollars)



Return on Shareholders' Equity
(Percentage)



More **expertise**

Pictured with Pierre H. Lessard, President and Chief Executive Officer of METRO INC. are from left to right Alain Picard, Vice-President, Human Resources, Robert Sawyer, Senior Vice-President, Retail, Eric Richer La Flèche, President, LOEB CANADA INC. and Senior Vice-President and General Manager, Super C, L.G. Serge Gadbois, Senior Vice-President, Finance and Treasurer, and Alain Brisebois, Senior Vice-President, Wholesale Operations.

The consistent growth achieved by METRO INC. over the past 12 years is grounded in the expertise of a seasoned team, as well as the efficient execution of a long-term strategy focused on customer satisfaction. The members of the Management Committee have been active in food retailing and distribution for more than 20 years on average, making them one of the most experienced teams in the industry.

... growth

Fiscal 2002 marked the twelfth consecutive year of growth for METRO INC. We are pleased to report that each of our operational divisions had strong results.

Net earnings for the fiscal year ended September 28, 2002 reached $143.7 million, a 17% increase compared to fiscal 2001. During the past year, the Company recorded its 48th consecutive quarter of year-over-year earnings growth. Earnings per share on a fully diluted basis rose to $1.41, or 16.5%, compared with the preceding year. Revenues reached $5,146.8 million in 2002, representing 5.7% growth compared with fiscal 2001.

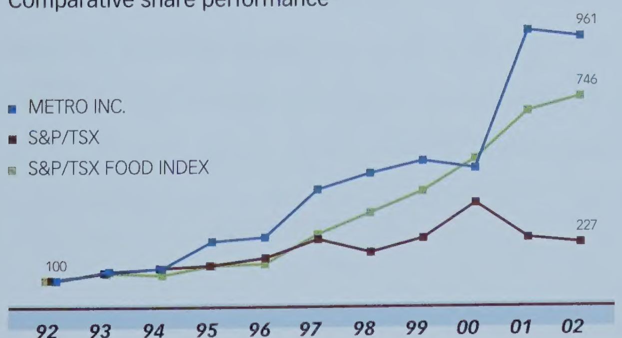
High returns

This excellent financial performance is also reflected in the return on shareholders' equity and dividends.

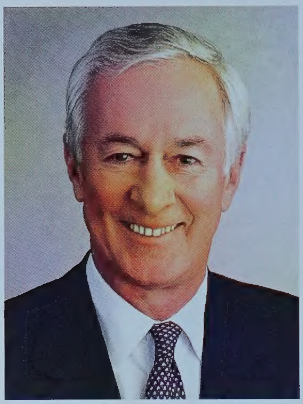
In 2002, the return on shareholders' equity was 23.9%, exceeding the 20% level for the eighth consecutive year, positioning METRO, on this basis, among the most profitable Canadian public companies. Also, for an eighth consecutive year, the Board of Directors increased the annual dividend paid to shareholders to $0.21 per share, a 21.7% increase compared with fiscal 2001.

The Company's sustained growth has also resulted in an ever appreciating share price over the past decade. On February 12, 2002, the Company split its shares on a 2-for-1 basis both for its Class A Subordinate Shares and its Class B Shares, the second such split over this period.

Comparative share performance*



* $100 invested on September 30, 1992 in stock, including reinvestment of dividends.



Pierre H. Lessard
President and
Chief Executive Officer

It is worth noting the relative stability of our share price during the year — closing at $17.40 after opening at $18.06 — despite sharp declines in equity values in 2002, due to the global economic slowdown and several financial scandals in the United States.

At a time when increasing attention is being focused on corporate governance standards, the Board of Directors is committed to meet the highest standards of corporate governance.

Long-term growth

The financial performance of recent years has been achieved in a fiercely competitive environment in our markets. Such results are the product of the careful execution of a long-term strategy focused on customer satisfaction and operational efficiency.

Our goal is to be present in each segment of retail food distribution through our affiliated, franchised and corporate conventional supermarkets (Metro and Loeb), our corporate discount food stores (Super C) and our affiliated neighbourhood food markets (Marché Richelieu). Their mission is to offer the best quality/price ratio in their respective segments.

In addition, we are becoming increasingly involved in food service activities and the pharmaceutical distribution sector. Both offer strong growth potential.

Our strategy is supported by a well-defined major capital expenditure program. The Company and the retailers invested $164.7 million in the retail network during fiscal 2002 while METRO invested an additional $64.6 million in the distribution network. During the past 10 years, total investments in the improvement of the retail network have totaled $1.1 billion. As a result, we offer consumers some of the most modern stores in Canada, supplied by a distribution network at the leading edge of technology and efficiency. This has been achieved while maintaining a very healthy balance sheet.

Maurice Jodoin
Chairman of the
Board of Directors

Acknowledgements

The foundation of this continuous growth and our leadership positioning is the steadfast contribution by each of our partners. We wish to acknowledge our retailers for their experience and passion for customer service, as well as their community involvement.

We also recognize the contribution of our employees, our managers and the members of the Board of Directors in the attainment of these results. And we thank our shareholders for their support in recent years and particularly during the past year.

We are confident that METRO, with a strong balance sheet, qualified personnel, the judicious positioning of each banner, and the efficiency of its distribution network, can continue to sustain its growth.

The focus of management, retailers and employees is on a common objective: leveraging our difference to consistently offer more to our customers and our shareholders.

Pierre H. Lessard, FCA
President and Chief Executive Officer

Maurice Jodoin, CFA
Chairman of the Board of Directors

Investments of $164.7 million by the Company and its retailers in 2002 resulted in the opening of 17 new stores while 42 existing locations were expanded or remodelled. These investments added 300,000 square feet of new retail space, bringing the total to over 9.4 million square feet. The Metro, Super C and Loeb banners remained in the forefront of their market segments and are among the industry leaders in sales per square foot.

More **shopping space**

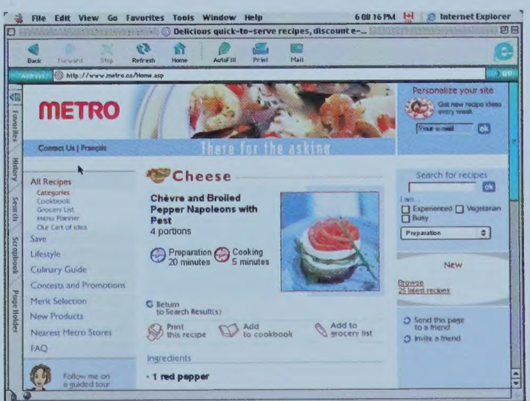
		2002	2001
METRO	Total square footage *(Thousands of square feet)*	5,300	5,200
	Average store size *(Square feet)*	21,200	20,400
	Number of stores	251	253
super C	Total square footage *(Thousands of square feet)*	2,300	2,000
	Average store size *(Square feet)*	46,300	47,500
	Number of stores *(Stores in Ontario: 2002-3; 2001-1)*	49	43
Loeb	Total square footage *(Thousands of square feet)*	1,100	1,100
	Average store size *(Square feet)*	24,600	24,400
	Number of stores	43	45
brunet	Total square footage *(Thousands of square feet)*	430	400
	Average store size *(Square feet)*	4,800	4,800
	Number of stores	91	84

... service

Our store layouts and merchandising programs are tailored to enhance service so that we can always improve how we meet the needs of our customers. In recent years, we have significantly increased the average size of our stores, while maintaining the human touch and friendly service for which all of our banners are renowned.

Larger and friendlier

With specialized boutiques for baked goods, fresh produce, delicatessen, fish and seafood, as well as for other food categories, our supermarkets retain their friendly atmosphere. Complementary services such as financial services counters, photo finishing and dry cleaning are also found in many of our stores to make life easier for our customers. In order to maximize the synergy among different divisions, our real estate department is increasingly developing commercial malls that house a food store, a Brunet pharmacy with a medical clinic, as well as other related services.



Clients, first and foremost

In the traditional supermarket segment, the Metro banner responds to the hectic lifestyles of its customers, with stores that have a reasonable size and offer the best in quality and freshness. The banner pursued its growth in 2002 with the addition of 10 new locations. We focus on personalized service, so we have butchers in our stores not only to provide professional meat cuts but also to offer pointers on preparation and cooking. Our stores also have fish specialists and chefs to assist our customers. Consumers also appreciate our car and home delivery services, as well as the practical and popular recipes in our weekly circulars and on our web site **www.metro.ca**.

The Super C banner, a leader in the discount food segment, also continued its growth through the opening of four new stores. This banner made a successful foray into the Ontario market through the conversion of two Loeb stores to the Super C banner. In 2003, the Company will continue to develop Super C in Ontario while maintaining its growth in Québec.

Loeb supermarkets are well established in the Ottawa region and in northeastern Ontario. This division has embarked on a major modernization program, with more than $50 million invested over the past three years. The new concepts developed for Ontario have been well received by consumers, enabling the LOEB division to increase store traffic and financial performance each year since it was acquired in 1999.

The Brunet banner totaled 91 pharmacies at the end of 2002, seven more than in the previous year. Focused on professionalism and personalized service, the banner is increasingly offering services such as nursing care and orthopedics.

More **satisfaction**

Wide selection of brands

Today's consumers want to be able to choose from a large variety of products. That's why choice and assortment are critical dimensions in the layout of our stores and in our merchandising programs. Our strategy is to offer a wide selection of national brands, complemented by a diversified range of private label and specialty products.

The selection of METRO private label products was enhanced again in 2002 with the introduction of many new products and the Company expects to sustain this momentum in the coming years. This product line is aimed at increasing customer loyalty through the differentiation offered by products that are particularly well adapted to their tastes and needs.

The best known of our private brands is undoubtedly **Merit Selection,** *offering competitively-priced products that are superior or of comparable quality to national brands. The* **Irresistibles** *brand consists of premium products intended for consumers looking for superior quality. The* **Super C** *brand reflects the positioning of this banner by offering comparable products to national brands but at discount prices. The* **Econochoice** *private label includes staples designed mainly for the network of small surface and convenience stores.*

The various METRO banners have always been renowned for the quality of their meat. Building on this reputation, we have reinforced our positioning by developing new premium products in the meat department. **RedGrill** *offers true connoisseurs the highest quality AAA meats, aged to perfection for exceptional texture and taste. Under the* **Tender Fork** *label, consumers will find juicy, marinated meats that are exceptionally tender.*

The **Miches & Délices** *(Bread and Pastries) department is also very popular thanks to its selection of high quality bakery and pastry products freshly baked on the premises. Over the past two years, variety has expanded with the launch of 150 new products.*

For consumers who do not have the time to prepare a meal or a snack, we have risen to the challenge with a growing variety of quality ready-to-eat products. These features explain the success of our **Bon Appétit** *brand, which comprises an assortment of freshly prepared foods, ready to eat or to heat.*

Consumers looking for natural foods appreciate the **Bio Découvertes** *(Organic Foods) section, where they can find in attractive displays a variety of up to 1,100 biological products. As for hygiene and health/beauty products, we have expanded our offering in the new* **Les Essentiels** *(The Essentials) section which now has a selection of more than 2,500 products. This initiative reflects new synergy with the Company's subsidiary McMahon Distributeur pharmaceutique inc.*

More **choice**

Irresistibles
Shrimp
Crevettes
Garden Vegetable
Rising Crust Pizza
Pizza à pâte levée-au-four
Légumes du jardin

GRILROUGE-REDGRILL
BŒUF AAA BEEF

ORGANIC · BIOLOGIQUE
SD: TEA
oetker
SIMPLE
Organics
NATURE'S PATH
Honey'd
Raisin Bran
ORGANIC
YÜ
CROFTER'S

Key advantages

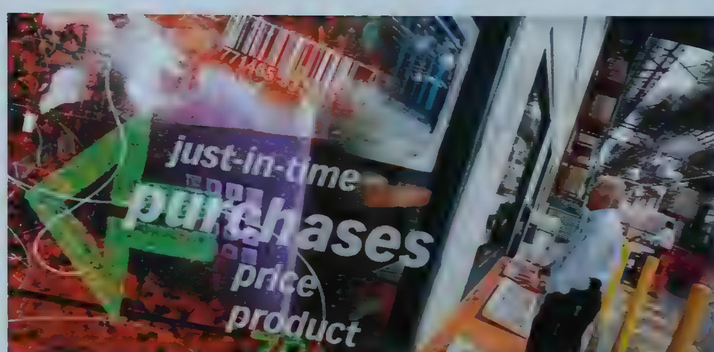
Efficiency is a key competitive edge for METRO in both retail and distribution. This allows us to offer the consumer the right products, at the right time, and at the right price.

In retail, we use category management to achieve greater efficiency in merchandising. We also emphasize continuous training for employees through the METRO School for Professionals, to sharpen their skills so they can offer the best advice and services to our customers.

Our distribution network consists of 19 warehouses, each specialized by product category and by geographic region. All operations are managed using sophisticated new integrated management systems. Implementation of these leading edge tools was successfully completed in 2002, providing numerous strategic advantages such as centralized buying, which maximizes the Company's purchasing power. We have also increased productivity in warehouse management, procurement and administrative support.

Through its meat and frozen food division, METRO has held a strategic advantage since 1968 by being the only Canadian food distributor to own a meat processing facility. A major investment project totaling $23 million began in this division in 2002 and will be completed by early 2003. Both warehouses in Montréal and Québec City will double their square footage. The Company intends to fully leverage these installations to satisfy customer expectations through a significant expansion of its product lines.

Service and efficient distribution are the key elements of our success in food service. The Company supplies close to 700 small stores operating under our various banners, as well as convenience stores and a large number of institutional clients, such as hospitals and restaurant chains.



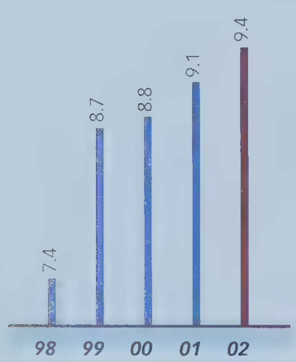
More **efficiency**

Highlights

Fiscal year ended September 28, 2002 compared with fiscal 2001

- Sales increased 5.7% to $5,146.8 million.
- Earnings before interest, taxes, depreciation and amortization rose 12.6% to $282.1 million.
- Operating income (before interest and taxes) reached $224.5 million, an increase of 18.7%, or 4.4% of sales compared to 3.9% in 2001.
- Net earnings were up 17% to $143.7 million and fully diluted earnings per share rose 16.5% to $1.41.
- Return on shareholders' equity exceeded 20% for the eighth consecutive year at 23.9%.

Total Square Footage
(Millions on square feet)

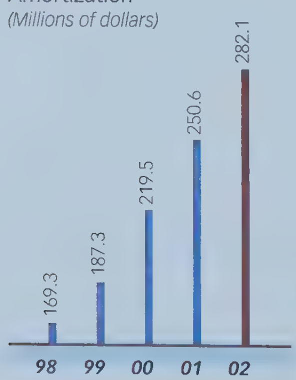


Sales

Sales for 2002 increased 5.7% to $5,146.8 million, an increase of $277.9 million despite low food price inflation. All sectors contributed to the higher sales. The food sector accounted for a 4.8% increase and 3.2% on a same store basis. The pharmaceutical sector contributed 0.9% of the total increase with sales of $374 million in 2002, up 12.8% compared with $331.6 million in 2001. The higher sales resulted from merchandising strategies adapted to consumer needs and our continuing retail investment program.

Investments in the food retail network by the Company and the retailers totalled $164.7 million in 2002. Major renovations and expansions were completed in 42 stores while 17 new stores were built for a gross increase of 657,000 square feet. Total food retail space reached 9.4 million square feet at the end of the year, an increase of 3.3% or 300,000 net square feet, after taking into account store closings, while the average square footage per store was up 5.7%. In addition, the Company continued to develop its pharmaceutical sector by increasing the total number of Brunet and Clini-Plus pharmacies to 164 compared with 157 in 2001.

Earnings Before Interest, Taxes, Depreciation and Amortization
(Millions of dollars)



Operating income

Earnings before interest, taxes, depreciation and amortization were $282.1 million compared with $250.6 million in 2001, an increase of 12.6%, or 5.5% of sales compared with 5.1% for the preceding year. Operating income (before interest and taxes) reached $224.5 million compared with $189.2 million for 2001, an increase of 18.7%. As a percentage of sales, operating income improved from 3.9% in 2001 to 4.4% in 2002. These increases reflect sales growth and a combination of several factors.

The successful implementation of SAP/EXE integrated software completed during 2002 provides a number of strategic advantages. Business processes made possible through this technology have enabled the centralization of procurement, cost reductions and the achievement of important productivity gains in our warehouses and administration. Investments in the retail network have also contributed to increased margins. The profitability of Loeb stores continued to improve as we made further progress in store renovation. The successful development of private label products, which have a positive impact on sales while increasing customer loyalty, is also driving higher margins.

As a result of the adoption, at the beginning of 2002, of the new accounting standard contained in Handbook Section 3062, "Goodwill and Other Intangible Assets", issued by the Canadian Institute of Chartered Accountants (CICA) under which goodwill is no longer amortized but tested for impairment on an annual basis, depreciation and amortization expenses for 2002 declined $5.9 million to $57.6 million compared to $61.4 million in 2001.

Interest

Interest expense declined $2.2 million or 42.3% to $3 million compared with $5.2 million in 2001. This decrease occurred despite higher investments and reflects lower debt compared to the previous year as well as a decline in the average cost of financing to 3.32% from 5.81% in 2001. Interest represented 0.06% of sales compared with 0.11% in 2001. The interest coverage ratio was 74.8 times compared with 36.4 times in 2001.

Income taxes

The effective income tax rate for the year was 35.1% compared with 33.3% for the previous year or 36.5% excluding the $6 million of tax savings recorded in 2001 from the reduction in tax rates on future income taxes. The lower tax rate for 2002, excluding the tax saving of $6 million, results from a reduction in the federal income tax rate.

Net earnings

Net earnings reached $143.7 million compared with $122.8 million in 2001, an increase of 17%. Net earnings as a percentage of sales rose to 2.8% from 2.5% in 2001. On a fully diluted basis, earnings per share was $1.41 compared with $1.21 in 2001, up 16.5%. In the first quarter of 2002, the Company adopted retroactively the new accounting standard in CICA Handbook Section 3500, "Earnings Per Share", and adopted prospectively the standard in Handbook Section 3062, "Goodwill and Other Intangible Assets". After adjustment for goodwill amortization, fully diluted earnings per share for 2001 was $1.25 instead of $1.21. Fully diluted earnings per share of $1.41 represent an increase of 12.8% compared to the adjusted fully diluted earnings per share of $1.25. Return on shareholders' equity was 23.9% compared with 24.1% in 2001. For an eighth consecutive year, return on shareholders' equity exceeded the 20% level, positioning the Company among the most profitable Canadian public companies.

Liquidity and capital resources

The Company maintained its solid financial position in 2002 while continuing its retail investment program.

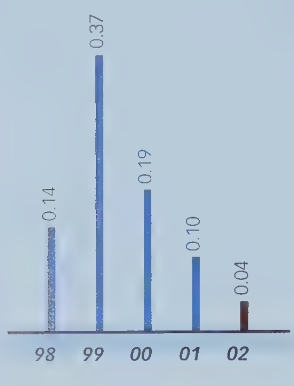
Cash flows from operating activities were $226 million in 2002 compared with $146.2 million in 2001. This increase is attributable primarily to the higher net earnings and net changes in non-cash working capital reflecting mainly amounts receivable from governments, as well as income taxes payable resulting from tax planning implemented in 2001.

Investing activities required cash of $155.4 million in 2002, mainly for purchases of capital assets in the retail network, the last phase of deployment of integrated management software, as well as the expansion of meat and frozen food warehouses. In 2002, the Company began an expansion project at its warehouses in Montréal and Québec City for an investment of $23 million which will result in a doubling of square footage at these locations during the second quarter of 2003.

On July 3, 2002, the Company also invested $16.7 million to acquire the assets of Grossiste Sue Shang Inc., a grocery distributor serving independent convenience stores in Québec.

Net cash used for financing activities totalled $70.6 million in 2002 compared to $37.1 million in 2001. The Company repaid $34.5 million of long-term debt and settled in cash the exercise of stock options in the amount of $23.5 million after taxes. The Company also redeemed 729,700 Class A Subordinate Shares under its normal course issuer bid program, considering this to be an appropriate use of surplus funds. The shares were acquired at an average price of $18.53 for a total consideration of $13.6 million.

Long-Term Debt/
Shareholders' Equity
(xx:1)



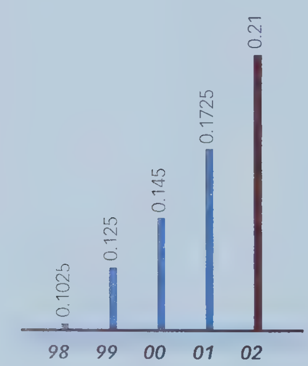
Balance sheet

Long-term debt declined by 54.8% to $25 million compared with $55.3 million at the end of 2001, while shareholders' equity increased by $86.2 million to reach $644.2 million. At the beginning of 2002, the ratio of long-term debt to shareholders' equity was 0.10. At year-end, this ratio had declined to 0.04, representing a very healthy financial position.

The Company's long-term debt consists primarily of term bank loans that bear interest at market rates. As of September 28, 2002, the Company did not have recourse to derivative instruments to hedge interest rates and, therefore, benefited throughout the year from the decline in borrowing costs.

The Company expects to meet its 2003 financial requirements mainly through internal cash flows and, as needed, through recourse to available credit facilities. The Company has in place, through a syndicate of financial institutions, a revolving demand credit facility of $25 million and revolving term credit facilities of $250 million compared with $300 million in 2001. The reduction in excess revolving term credit facilities contributed to a reduction in term facility fees. At the end of 2002, unused and available credit facilities amounted to $206.9 million. A $125 million credit facility matures in June 2003 and the Company is confident that such facility will be renewed.

Dividend Rate Per Share
(Dollars)



Capital stock

Following the publication by the CICA of Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", issued in December 2001, the Company's Board of Directors decided on April 9, 2002 to cease settlement in cash for stock options effective September 29, 2002, the beginning of the new fiscal year. However, to fully benefit from tax deductions on these cash settlements, the Company suggested to holders of options that may be exercised before September 29, 2002 to exercise them for cash settlements. To encourage holders to accept this offer, new stock options with the same maturity dates as those being replaced were granted at an exercise price equal to the market value of the shares at the time of the cash settlement.

For 2002, cash settlements totalled $36.6 million pre-tax. The tax saving realized by the Company on this payment was $13.1 million.

On February 12, 2002, the Company proceeded with a 2-for-1 split of its Class A Subordinate Shares and Class B Shares. On September 28, 2002, the Company had 98,412,241 Class A Subordinate Shares outstanding and 1,074,240 Class B Multiple Vote Shares compared with 98,929,002 and 1,236,240, respectively, at the end of the previous year. The new commercial program implemented by the Company last year, under which affiliated retailers are no longer required to hold Class B Multiple Vote Shares in order to operate an affiliated store under the Metro banner, continued in 2002.

During the year, 162,000 Class B Shares were converted into Class A Subordinate Shares.

Dividend policy and dividends

The Company's policy is to pay an annual dividend representing 15-20% of the previous year's net earnings before extraordinary items. For an eighth consecutive year, the Company paid quarterly dividends to shareholders in 2002. The total annual dividend increased 21.7% to $0.21 per share compared with $0.1725 in 2001.

Share trading

The value of METRO shares remained in the range of $16.90 to $22.37 during 2002. The number of shares traded during the year on the Toronto Stock Exchange totaled 45.3 million. The closing price on September 27, 2002 was $17.40 compared with $18.06 at the end of 2001. The share price was relatively stable in a context of declining equity values caused by a global economic slowdown and a number of financial scandals in the United States.

Accounting policy changes after 2002

The CICA issued a new accounting standard Section 3870 "Stock-based Compensation and Other Stock-based Payments". This new standard is effective for fiscal years beginning on or after January 1, 2002. The Company will adopt this new standard as of the first quarter of fiscal 2003.

Under this new standard, the CICA recommends, however does not require, the fair value method of recognizing stock options granted to employees but permits to disclose in a note to the financial statements the pro forma values of net earnings and earnings per share obtained by calculating the cost of the stock-based compensation in accordance with the fair value accounting method. The recommendations of the Section apply to awards granted on or after the date of adoption. The Company has chosen to present by note to the financial statements the impact of the application of the fair value method to disclose the pro forma net earnings and the pro forma earnings per share as if the Company applied the fair value method. Consequently, the adoption by the Company of this standard will not have any effect on its results, financial position and cash flows.

Risk management

The existing level of competition and the possibility of new players represent risks that could impact the Company's market share and profitability. In order to maintain its leadership in Québec and to increase its presence in Ontario, the Company has developed a successful market segmentation strategy, supported by dynamic merchandising programs, significant ongoing investment in its retail network and efficient warehousing and distribution systems.

The Company strives to differentiate itself through innovative merchandising programs adapted to its various banners and consumer segments. It is also reinforcing its competitive position through the development of private label products that account for a growing proportion of its sales. The quality of the Company's in-store teams is another significant asset, and the training programs offered by the METRO School for Professionals ensure that the Company's employees and those of its retailers are responsive to market trends and consumer needs.

During 2002, the Company outsourced the hosting of its mainframe computers in two separate physical locations and used this opportunity to upgrade its capabilities, resulting in not only greater security but also in quick recovery in a disaster scenario.

At a time when corporate governance standards are under close scrutiny by financial markets, the Board of Directors and its committees are committed to even greater vigilance and to meeting all new requirements.

Outlook

Over the coming years, the Company will continue to benefit from its effective merchandising and its consumer-responsive offerings. It also intends to maintain its retail network as one of the most modern in the Canadian food industry by investing more than $450 million over the next three years jointly with its retailers. In addition, the Company will continue to benefit from its investments in information technology by capitalizing on the increased flexibility of its leading edge management systems to exercise more stringent operational and financial control.

Confident of its competitiveness, the Company will respond to short-term challenges while remaining focused on realizing its long-term vision. It will also continue to seek opportunities to expand its share of the food and pharmaceutical markets in Canada.

L.G. Serge Gadbois, FCA
Senior Vice-President, Finance and Treasurer

Montréal, November 1, 2002

QUARTERLY HIGHLIGHTS

(Millions of dollars, except for earnings per share)

	2002	*2001*	Change *(Percentage)*
Sales			
Q1 (1)	**1,226.7**	1,135.6	8.0
Q2 (1)	**1,121.0**	1,050.4	6.7
Q3 (2)	**1,583.0**	1,536.9	3.0
Q4 (1)	**1,216.1**	1,146.0	6.1
Year	**5,146.8**	4,868.9	5.7
Operating income			
Q1 (1)	**47.6**	40.6	17.2
Q2 (1)	**48.9**	41.5	17.8
Q3 (2)	**71.6**	61.9	15.7
Q4 (1)	**56.4**	45.2	24.8
Year	**224.5**	189.2	18.7
Net earnings			
Q1 (1)	**30.4**	24.7	23.1
Q2 (1)	**31.5**	30.7	2.6
Q3 (2)	**45.9**	38.1	20.5
Q4 (1)	**35.9**	29.3	22.5
Year	**143.7**	122.8	17.0
Fully diluted net earnings per share *(Dollars)*			
Q1 (1)	**0.30**	0.25	20.0
Q2 (1)	**0.30**	0.30	—
Q3 (2)	**0.45**	0.37	21.6
Q4 (1)	**0.36**	0.29	24.1
Year	**1.41**	1.21	16.5

(1) 12 weeks
(2) 16 weeks

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation and presentation of the consolidated financial statements of METRO INC. and the other financial information contained in this Annual Report are the responsibility of management. This responsibility is based on a judicious choice of appropriate accounting principles and methods, the application of which requires making estimates and informed judgments. It also includes ensuring that the financial information in the Annual Report is consistent with the consolidated financial statements. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and were approved by the Board of Directors.

METRO INC. maintains accounting and administrative control systems which, in the opinion of management, provide reasonable assurance regarding the accuracy, relevance and reliability of financial information and the well-ordered, efficient management of the Company's affairs.

Through its Audit Committee, the Board of Directors fulfils its duty to oversee management in the performance of its financial reporting responsibilities and to review the consolidated financial statements and Annual Report. This Committee holds periodic meetings with members of management as well as internal and external auditors, to discuss internal controls, auditing matters and financial reporting issues. The Audit Committee has reviewed the consolidated financial statements of METRO INC. and recommended their approval to the Board of Directors.

The enclosed consolidated financial statements were audited by Ernst & Young LLP, Charted Accountants, and their report indicates the extent of their audit and their opinion on the consolidated financial statements.

P H Lessard

Pierre H. Lessard, FCA
President and Chief Executive Officer

Serge Gadbois

L.G. Serge Gadbois, FCA
Senior Vice-President, Finance and Treasurer

Montréal, November 1, 2002

AUDITORS' REPORT

To the Shareholders of METRO INC.

We have audited the consolidated balance sheets of METRO INC. (the "Company") as at September 28, 2002 and September 29, 2001, and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 28, 2002 and September 29, 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

Montréal, November 1, 2002

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended September 28, 2002
(Millions of dollars, except for earnings per share)

	2002	2001
Sales	$5,146.8	$ 4,868.9
Cost of sales and operating expenses	4,864.7	4,618.3
Depreciation and amortization *(note 4)*	57.6	61.4
	4,922.3	4,679.7
Operating income	224.5	189.2
Interest		
Short-term	1.5	0.6
Long-term	1.5	4.6
	3.0	5.2
Earnings before income taxes	221.5	184.0
Income taxes *(note 5)*	77.8	61.2
Net earnings	$ 143.7	$ 122.8
Earnings per share *(notes 2 and 10)*		
Basic	$ 1.44	$ 1.23
Fully diluted	$ 1.41	$ 1.21

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year ended September 28, 2002
(Millions of dollars)

	2002	2001
Balance at beginning of year	$ 395.7	$ 301.6
Net earnings	143.7	122.8
Dividends	(21.0)	(17.3)
Share redemption premium	(12.4)	(5.4)
Stock options settled in cash, net of income taxes of $13.1 (2001 - $3.6)	(23.5)	(6.0)
Balance at end of year	$ 482.5	$ 395.7

See accompanying notes

CONSOLIDATED BALANCE SHEETS

As at September 28, 2002

(Millions of dollars)

	2002	*2001*
Assets		
Current		
Accounts receivable	$ 272.9	$ 236.1
Income taxes recoverable	—	10.3
Inventories	270.4	242.0
Prepaid expenses	3.0	3.0
Future income taxes *(note 5)*	10.3	13.1
	556.6	504.5
Investments and other assets *(note 6)*	32.7	28.3
Fixed assets *(note 7)*	400.7	325.7
Intangible assets *(note 8)*	160.8	156.2
Goodwill *(notes 2 and 3)*	178.3	171.3
	$1,329.1	$ 1,186.0
Liabilities		
Current		
Bank loans *(note 9)*	$ 53.1	$ 31.7
Accounts payable	508.5	455.4
Income taxes payable	2.9	—
Current portion of long-term debt *(note 9)*	3.6	5.0
	568.1	492.1
Long-term debt *(note 9)*	25.0	55.3
Future income taxes *(note 5)*	91.8	80.6
	684.9	628.0
Shareholders' equity		
Capital stock *(note 10)*	161.7	162.3
Retained earnings	482.5	395.7
	644.2	558.0
	$1,329.1	$ 1,186.0

Commitments and contingencies *(notes 11 and 12)*

See accompanying notes

On behalf of the Board:

Pierre H. Lessard, FCA
Director

Pierre Brunet, FCA
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended September 28, 2002
(Millions of dollars)

	2002	*2001*
Cash flows from operating activities		
Net earnings	$ 143.7	$ 122.8
Items not requiring cash flows		
Equity earnings in a company subject to significant influence	(6.1)	(3.5)
Depreciation and amortization	57.6	61.4
Losses on disposal and writeoffs of fixed and intangible assets	2.2	5.1
Future taxes	14.0	22.9
Excess of amounts paid for employee future benefits over expenses recognized	(0.4)	(1.5)
	211.0	207.2
Net change in non-cash working capital related to operations	15.0	(61.0)
	226.0	146.2
Cash flows from investing activities		
Business acquisitions *(note 3)*	(19.7)	(1.1)
Net change in investments	0.8	(2.4)
Net purchase of fixed assets	(113.8)	(75.3)
Net purchase of intangible assets	(22.7)	(30.3)
	(155.4)	(109.1)
Cash flows from financing activities		
Increase in bank loans	21.4	30.0
Issue of capital stock	0.6	3.1
Redemption of subordinate shares	(13.6)	(6.3)
Stock options settled in cash, net	(23.5)	(6.0)
Repayment of long-term debt	(34.5)	(40.6)
Dividends paid	(21.0)	(17.3)
	(70.6)	(37.1)
Net change in cash and cash equivalents and balances at beginning and end of year	$ —	$ —
Other information		
Interest paid	$ 2.9	$ 4.5
Income taxes paid	$ 37.5	$ 57.2

See accompanying notes

1. Summary of significant accounting policies

The Company's consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and the accompanying notes. Actual results could differ from these estimates. According to management, the Company's consolidated financial statements have been properly prepared within the reasonable limits of materiality and in conformity with the accounting policies summarized below:

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances available, if any, after allocation to cheques in transit and to demand bank loans, and highly liquid investments with an initial term of three months or less that are stated at cost, which approximates market value.

Inventory valuation

Wholesale inventories are valued at the lower of cost, determined by the average cost method, and net realizable value.

Retail inventories are valued at the retail price less the gross margin.

Investments

Investments in companies subject to significant influence are accounted for using the equity method. Other investments are recorded at cost.

Fixed assets

Fixed assets are recorded at cost and are depreciated on a straight-line basis over their useful lives.

Buildings	40 years
Equipment	4 to 20 years
Leasehold improvements	Terms of the leases (5 to 40 years)

Intangible assets

Intangible assets are recorded at cost and are depreciated on a straight-line basis over their useful lives.

Leasehold rights	Terms of the leases (30 to 40 years)
Improvements and development of retail network loyalty, software and other	5 to 15 years

1. Summary of significant accounting policies (cont'd)

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that it might be impaired. The impairment test should consist of a comparison of the fair value of the reporting unit to which goodwill is assigned with its carrying amount. Any impairment loss in the carrying amount compared with the fair value is charged to income in the year in which the loss is recognized.

Employee future benefits

The Company accounts for its obligations under the employee benefits plans and related costs, net of the plan assets. The cost of pension and other retirement benefits earned by employees is determined from actuarial calculations according to the projected benefit method prorated on services based on management's best estimate assumptions about the investment returns on the plans, salary projections, the retirement age of employees and estimated health-care costs. For the purpose of calculating the estimated rate of return on the plan assets, assets are assessed at fair value. The excess of the net actuarial gain (loss) over 10% of accrued benefit obligations, or over 10% of the fair value of the plan assets where such amount is higher, is amortized over the average remaining service life of employees.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are accounted for based on estimated taxes recoverable or payable that would result from the recovery or settlement of the carrying amount of assets and liabilities recorded in the financial statements. Future tax assets and liabilities are measured using the tax rates that are expected to be in effect in the years when the timing differences are expected to be reduced. Changes in these balances are charged to income of the year in which they arise.

Stock option plan

No compensation expense is recognized when stock options are issued to employees under the Company's stock option plan. Any consideration paid by employees on the exercise of stock options is credited to capital stock. If employee stock options are redeemed by the Company, the amount paid net of related taxes is debited against retained earnings.

Earnings per share

Earnings per share is calculated based on the weighted average number of Class A Subordinate Shares and Class B Shares outstanding during the year. The fully diluted earnings per share is calculated using the treasury stock method and takes into account all the elements that have a dilutive effect.

Fiscal year

The Company's fiscal year ends on the last Saturday of September. The fiscal years ended September 28, 2002 and September 29, 2001 include 52 weeks of operations.

2. Changes in accounting policies

Goodwill

The Company prospectively adopted the standard in Section 3062, entitled "Goodwill and Other Intangible Assets", of the Canadian Institute of Chartered Accountants (CICA) Handbook. Under the new standard, goodwill is no longer amortized but tested for impairment annually and the excess of the carrying amount over the fair value of goodwill is charged to income. The following table reconciles the reported net earnings and adjusted net earnings, excluding amortization of goodwill and the related tax effects:

	2002	*2001*
Reported net earnings	$ 143.7	$ 122.8
Amortization of goodwill	—	5.9
Related tax effects	—	(1,2)
Adjusted net earnings	$ 143.7	$ 127.5
Reported earnings per share *(Dollars)*		
Basic	1.44	1.23
Fully diluted	1.41	1.21
Adjusted earnings per share *(Dollars)*		
Basic	1.44	1.27
Fully diluted	1.41	1.25

For the year ended September 29, 2001, goodwill under the former standard was amortized over a period of forty years and measured for impairment other than temporary by comparing the net carrying amount with an estimate of the undiscounted cash flows.

Earnings per share

The Company retroactively adopted the standard in Section 3500, entitled "Earnings per Share", of the CICA Handbook. Under this standard, the treasury stock method is used to calculate the dilutive effect of stock options and other equity instruments. The following table reconciles the weighted average number of shares outstanding:

	2002 *(Millions)*	*2001* *(Millions)*
Weighted average number of shares outstanding — Basic	100.1	100.2
Dilutive effect under stock option plan	1.8	1.6
Weighted average number of shares outstanding — Fully diluted	101.9	101.8

3. Business acquisitions

On July 3, 2002, the Company acquired the assets, made up primarily of short-term assets, of Grossiste Sue Shang Inc., a grocery distributor serving independent convenience stores in Québec, for a cash consideration of $16.7. Stores were also acquired by the Company. Following these acquisitions, goodwill in the amount of $7 was recorded.

4. Depreciation and amortization

	2002	2001
Fixed assets	$ 36.5	$ 37.2
Intangible assets	21.1	18.3
Goodwill	—	5.9
	$ 57.6	$ 61.4

5. Income taxes

	2002	2001
Payable	$ 63.8	$ 38.3
Future		
Variation in timing differences	14.0	28.9
Impact of tax rate changes	—	(6.0)
	$ 77.8	$ 61.2

The effective income tax rates were as follows for the years ended September 28, 2002 and September 29, 2001:

	2002	2001
Combined statutory income tax rate	35.9 %	37.6 %
Changes		
Non-deductible goodwill	—	0.6
Impact of tax rate changes on future taxes	(0.4)	(3.3)
Other	(0.4)	(1.6)
	35.1 %	33.3 %

5. Income taxes (cont'd)

Future taxes reflect the net tax impact of timing differences between the value of assets and liabilities for accounting and tax purposes. The main components of the Company's future tax assets and liabilities as at September 28, 2002 and September 29, 2001 were as follows:

	2002	*2001*
Future tax assests		
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	$ 7.2	$ 9.0
Deferred tax losses	3.1	4.1
	10.3	13.1
Future tax liabilities		
Accumulated equity earnings from a company subject to significant influence	(3.8)	(2.6)
Excess of net book value of long-term assets over their value for tax purposes	(88.0)	(78.0)
	(91.8)	(80.6)
	$ (81.5)	$ (67.5)

6. Investments and other assets

	2002	*2001*
Investment at equity in a public company operating in the food industry (quoted market value: 2002 - $189.3; 2001 - $108.2)	$ 25.8	$ 19.7
Investments in private companies, at cost	2.4	1.7
Loans bearing interest at floating rates and other assets	5.2	9.2
	33.4	30.6
Current portion included in receivables	0.7	2.3
	$ 32.7	$ 28.3

7. Fixed assets

	2002			*2001*		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 48.7	$ —	$ 48.7	$ 37.4	$ —	$ 37.4
Buildings	169.4	51.5	117.9	134.7	47.4	87.3
Equipment	325.6	160.2	165.4	289.1	146.8	142.3
Leasehold improvements	129.5	60.8	68.7	113.2	54.5	58.7
	$ 673.2	$ 272.5	$ 400.7	$ 574.4	$ 248.7	$ 325.7

The net acquisitions under capital leases and other acquisitions of assets excluded from the statement of cash flows totalled $2.8 and $6.0 in 2002 and 2001 respectively.

8. Intangible assets

	2002			2001		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Leasehold rights	$ 54.8	$ 18.5	$ 36.3	$ 54.8	$ 16.9	$ 37.9
Improvements and development of retail network loyalty, software and other	220.8	96.3	124.5	197.0	78.7	118.3
	$ 275.6	$ 114.8	$ 160.8	$ 251.8	$ 95.6	$ 156.2

9. Bank loans and long-term debt

	2002	2001
Term loan bearing interest at 3.4% (2001 - 4.3%)	$ 15.0	$ 45.0
Other loans, maturing on various dates, bearing interest at an average rate of 5.4% (2001 - 5.4%)	9.0	7.8
Capital lease obligations bearing interest at an average rate of 5.2% (2001 - 5.6%), maturing on various dates until 2005	4.6	7.5
	28.6	60.3
Current portion	3.6	5.0
	$ 25.0	$ 55.3

The Company has a demand revolving credit facility of $25 as well as A, B and C term revolving credit facilities amounting to $250. These are unsecured facilities that bear interest based on market rates. As at September 28, 2002, $10 of the demand facility and $25.4 of the A term facility were used and recorded with the bank loans at the effective rate of 3.2%. The bank loans also include cheques in transit totalling $17.7.

The term loan in the amount of $15 as at September 28, 2002 was derived from the B term revolving credit facility, the outstanding balance as at June 17, 2003 may be repayable in three equal annual instalments on June 17, 2004, 2005 and 2006.

Minimum payments required on the long-term debt over the next five years are as follows: $3.8 in 2003, $8.2 in 2004, $7.4 in 2005, $6.1 in 2006, $0.5 in 2007 and $2.9 in 2008 and subsequently. These minimum payments include interest of $0.3 on the capital lease obligations.

10. Capital stock

Authorized

Unlimited number of First Preferred Shares, non-voting, without par value, issuable in series.

Unlimited number of Class A Subordinate Shares, bearing one voting right per share, participating, convertible into Class B Shares in case of a takeover bid on Class B Shares, without par value.

Unlimited number of Class B Shares, bearing 16 voting rights per share, participating, convertible in case of disqualification into an equal number of Class A Subordinate Shares on the basis of one Class A Subordinate Share for each Class B share held, without par value.

Issued

	Class A Subordinate Shares		Class B Shares		Total
	Number *(Thousands)*		Number *(Thousands)*		
Balance as at September 30, 2000	98,189	$ 155.9	2,226	$ 4.2	$ 160.1
Share issue for cash	314	2.8	32	0.3	3.1
Share redemption for cash, excluding premium of $5.4	(596)	(0.9)	—	—	(0.9)
Conversion of Class B Shares into Class A Subordinate Shares	1,022	2.0	(1,022)	(2.0)	—
Balance as at September 29, 2001	98,929	159.8	1,236	2.5	162.3
Share issue for cash	51	0.6	—	—	0.6
Share redemption for cash, excluding premium of $12.4	(730)	(1.2)	—	—	(1.2)
Conversion of Class B Shares into Class A Subordinate Shares	162	0.3	(162)	(0.3)	—
Balance as at September 28, 2002	**98,412**	**$ 159.5**	**1,074**	**$ 2.2**	**$ 161.7**

During the year, the Company split all its Class A Subordinate Shares and all its Class B Shares on a 2-for-1 basis. All information about the shares and data per share have been restated retroactively to take the split into account.

Stock option plan

The Company has a stock option plan for certain employees with options to purchase up to 10,000,000 Class A Subordinate Shares. The subscription price of each Class A Subordinate Share issued under the plan is equal to the market price of the shares on the day prior to the day the option was granted and must be paid in full at the time the option is exercised. While the Board of Directors determines other terms and conditions for the exercise of options, options may not extend beyond a five-year period from the date the option may initially be exercised, in whole or in part, and the total period may never exceed ten years from the date the option was granted. Options may generally be exercised two years after they were granted on the basis of 20% per year.

Until September 28, 2002, option holders under the plan could elect to receive at the time the options are exercised a cash amount equal to the difference between the market price of the underlying shares and the exercise price of the options. The mechanism by which options could be exercised for cash was eliminated on September 29, 2002.

10. Capital stock (cont'd)

The options outstanding as at September 28, 2002 and September 29, 2001 and the changes during the year can be summarized as follows:

	Number of options (Thousands)	Weighted average exercise price (Dollars)
Balance as at September 30, 2000	5,502	
Granted	885	11.99
Exercised	(51)	4.12
Settled in cash	(1,094)	6.92
Cancelled	(175)	9.00
Balance as at September 29, 2001	5,067	
Granted	3,221	21.23
Exercised	(34)	8.33
Settled in cash	(3,006)	8.82
Cancelled	(72)	9.48
Balance as at September 28, 2002	**5,176**	

The table below summarizes information regarding the stock options outstanding and exercisable as at September 28, 2002.

	Stock options outstanding			Exercisable options	
Range of exercise prices (Dollars)	Number of options (Thousands)	Weighted average remaining period (Months)	Weighted average exercise price (Dollars)	Number of options (Thousands)	Weighted average exercise price (Dollars)
4.90 - 9.80	1,020	44.0	8.90	9	8.04
10.68 - 15.50	935	65.4	11.91	—	—
17.36 - 21.75	3,221	71.7	21.03	801	20.35
	5,176			810	

11. Commitments

The Company has operating lease commitments, with varying terms extending to 2027, to lease premises and equipment used for business purposes. The Company also has commitments under service contracts. The minimum payment balance as at September 28, 2002 was $327.2 ($286.4 as at September 29, 2001). The minimum payments over the next five years are as follows: $37.5 in 2003; $37 in 2004; $34.9 in 2005; $31 in 2006 and $28.1 in 2007.

In addition, the Company has lease and lease offer commitments, with varying terms extending to 2022, to lease premises which it sublets to customers, generally under the same terms and conditions. The minimum payment balance under these leases was $315.4 as at September 28, 2002 ($314.7 as at September 29, 2001) and the average annual payments for the next five years are $32.7.

12. Contingencies

Endorsements

For certain of its customers with whom business relationships are established, the Company assumes a contingent liability as guarantor of lease agreements with varying terms extending to 2019 for which the average annual lease payments for the next five years are $2.9. The maximum contingent liability under these endorsements as at September 28, 2002 was $23.1. Also, the Company has endorsed loans granted by financial institutions for a maximum amount of $18. The balance of these loans as at September 28, 2002 was $12.9. In return, the Company holds a charge on some assets of its customers.

Claims

During the ordinary course of business, various proceedings and claims are instituted against the Company. The Company contests the validity of these claims and proceedings and management believes that any settlement will not have a material effect on the financial position or on the consolidated earnings of the Company.

13. Employee future benefits

The Company offers several defined benefit and defined contribution plans that provide most employees with pension, other retirement and other post-employment benefits.

The Company's defined benefit and defined contribution plan expenses for the years ended September 28, 2002 and September 29, 2001 were as follows:

	2002		*2001*	
	Pension plans	Other plans	Pension plans	Other plans
Defined contribution plans	$ 5.7	$ 0.4	$ 4.8	$ 0.4
Defined benefit plans				
Current service cost	$ 3.8	$ 0.5	$ 3.2	$ 0.4
Interest cost	4.2	0.2	3.5	0.2
Expected return on plan assets	(3.8)	—	(4.3)	—
Amortization of actuarial losses and service cost	0.4	—	—	—
	$ 4.6	$ 0.7	$ 2.4	$ 0.6

13. Employee future benefits (cont'd)

The information on defined benefit plans as at September 28, 2002 and September 29, 2001 and for the years then ended was as follows:

	2002		2001	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligations				
Balance at beginning of year	$ 53.7	$ 3.0	$ 46.0	$ 2.7
Current service cost	3.8	0.5	3.2	0.4
Interest cost	4.2	0.2	3.5	0.2
Employee contributions	2.6	—	2.2	—
Plan amendment	1.2	—	0.4	—
Benefits paid	(1.4)	(0.5)	(1.5)	(0.4)
Actuarial loss (gain)	0.2	0.1	(0.1)	0.1
Balance at end of year	64.3	3.3	53.7	3.0
Plan assets				
Fair value at beginning of year	50.6	—	52.1	—
Actual return on plan assets	(0.6)	—	(6.1)	—
Employer contributions	5.2	0.5	3.9	0.4
Employee contributions	2.6	—	2.2	—
Benefits paid	(1.4)	(0.5)	(1.5)	(0.4)
Fair value at end of year	56.4	—	50.6	—
Funded status - loss	(7.9)	(3.3)	(3.1)	(3.0)
Unamortized past service costs	1.2	—	0.4	—
Unamortized net actuarial loss	12.9	0.2	8.2	0.2
Accrued benefit assets (liabilities)	$ 6.2	$ (3.1)	$ 5.5	$ (2.8)

Defined benefit plans other than retirement plans are not funded.

The most important actuarial assumptions used by the Company to determine its accrued benefit obligations as at September 28, 2002 and September 29, 2001 were as follows:

	2002		2001	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	7.0 %	7.0 %	7.0 %	7.0 %
Expected long-term rate of return on plan assets	7.5 %	—	8.5 %	—
Future salary levels	4.0 %	4.0 %	4.0 %	4.0 %

For evaluation purposes, the annual growth rate assumption for the cost of health care for each participant was established at 5.8% in 2002 (2001 - 7.2%). Under this assumption, this rate is expected to gradually decline to 3.6% in 2007 and remain at this level subsequently.

14. Related party transactions

During the year, sales to companies controlled by members of the Board of Directors totalled $39.6 (2001 - $59.6) and sales to companies subject to significant influence totalled $65.1 (2001 - $125.0). These transactions were conducted during the ordinary course of business and accounted for at the exchange value. Accounts receivable include a balance of $2.3 (2001 - $5.4) resulting from these transactions as well as an amount of $0.6 (2001 - $0.5) related to loans extended to officers.

15. Segmented information

The Company operates primarily in the Canadian food distribution industry segment. The Company's sales in this segment amounted to $4,772.8 for the year ended September 28, 2002 (2001 - $4,537.3). This segment accounted for more than 95% of operating income, depreciation and amortization, fixed asset acquisitions and goodwill for the years ended September 28, 2002 and September 29, 2001. Segment assets represented approximately 94% of total assets as at September 28, 2002 (2001 - 93%). The Company also operates in the Canadian pharmaceutical distribution industry segment.

16. Fair value of financial instruments

The fair value of accounts receivable, including loans to officers, income taxes, bank loans and accounts payable approximates their carrying value because of the short-term maturity of these instruments.

The fair value of loans included in investments and of the items included in long-term debt is equivalent to their carrying value since they are at floating interest rates or at interest rates that are comparable to market rates.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

	2002 52 weeks	2001 52 weeks	2000 53 weeks	1999 52 weeks	1998 52 weeks
Summary of results *(Millions of dollars)*					
Sales	5,146.8	4,868.9	4,657.5	3,995.5	3,653.0
Depreciation and amortization	57.6	61.4	52.5	44.3	39.7
Operating income	224.5	189.2	167.0	143.0	129.6
Financing costs	3.0	5.2	9.2	5.9	4.3
Unusual items	—	—	—	15.0	18.0
Income taxes	77.8	61.2	60.5	45.7	41.9
Net earnings before unusual items	143.7	122.8	97.3	84.6	75.9
Net earnings	143.7	122.8	97.3	76.4	65.4
Financial structure *(Millions of dollars)*					
Working capital	(11.5)	12.4	(25.8)	(50.4)	(22.6)
Current assets	556.6	504.5	421.8	374.6	343.8
Current liabilities	568.1	492.1	447.6	425.0	366.4
Fixed assets	400.7	325.7	284.8	286.4	219.5
Intangible assets	160.8	156.2	146.1	127.5	102.3
Goodwill	178.3	171.3	176.1	180.8	98.2
Total assets	1,329.1	1,186.0	1,059.7	996.2	787.5
Long-term debt	25.0	55.3	88.6	144.2	48.6
Shareholders' equity	644.2	558.0	461.7	392.3	342.6
Financial ratios					
Operating income/sales *(%)*	4.4	3.9	3.6	3.6	3.5
Net earnings before unusual items/sales *(%)*	2.8	2.5	2.1	2.1	2.1
Net earnings/sales *(%)*	2.8	2.5	2.1	1.9	1.8
Cash flows from operating activities/sales *(%)*	4.4	3.0	3.4	4.9	3.3
Return on shareholders' equity *(%)*	23.9	24.1	22.8	20.8	20.5
Long-term debt/shareholders' equity *(xx:1)*	0.04	0.10	0.19	0.37	0.14
Total debt/shareholders' equity *(xx:1)*	0.04	0.11	0.21	0.38	0.15
Working capital *(xx:1)*	0.98	1.03	0.94	0.88	0.94
Interest coverage *(times)*	74.8	36.4	18.1	21.5	26.0
Common share *(Dollars)*					
Net earnings before unusual items	1.44	1.23	0.97	0.84	0.75
Net earnings	1.44	1.23	0.97	0.76	0.64
Fully diluted net earnings before unusual items	1.41	1.21	0.96	0.82	0.73
Fully diluted net earnings	1.41	1.21	0.96	0.74	0.63
Dividend	0.21	0.1725	0.145	0.125	0.1025
Book value	6.47	5.57	4.60	3.89	3.37
Market price					
High	22.37	18.87	10.33	11.73	11.25
Low	16.90	9.00	7.38	8.50	7.25
Number of shares outstanding at year-end *(Millions)*	99.5	100.2	100.4	100.8	101.6
Weighted average number of shares outstanding *(Millions)*	100.1	100.2	100.4	101.0	101.8
Trading volume *(Millions)*	45.3	50.8	68.8	46.2	44.4

BOARD OF DIRECTORS

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Director

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Director

MARC DESERRES (4)
Director

SERGE FERLAND (2)(5)
Director

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Director

PAUL GOBEIL (1)(5)
Vice-Chairman of the Board

MAURICE JODOIN (1)(3)(5)
Chairman of the Board

MARYSE LABONTÉ (2)
Director

GILLES LAMOUREUX (4)(5)
Director

PIERRE H. LESSARD (1)(3)
Chairman of the Executive Committee

MARIE-JOSÉ NADEAU (4)
Director

BERNARD A. ROY (1)(2)(5)
Director

PIERRE SHOONER (1)(3)(4)
Director

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Human Resources Committee
(4) Member of the Corporate Governance Committee
(5) Member of the Nomination Committee

METRO INC.

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President and
Chief Executive Officer

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Vice-Chairman of the Board

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Wholesale Operations

L.G. SERGE GADBOIS
Senior Vice-President,
Finance and Treasurer

ERIC RICHER LA FLÈCHE
President, Loeb Canada Inc.

Senior Vice-President and
General Manager, Super C

ROBERT SAWYER
Senior Vice-President, Retail

MARTIN ALLAIRE
Vice-President, Real Estate

JACQUES COUTURE
Vice-President,
Information Systems

PAUL DÉNOMMÉE
Vice-President, Controller

ALAIN PICARD
Vice-President,
Human Resources

SIMON RIVET
General Counsel
and Secretary

METRO RICHELIEU INC.

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Vice-President,
Produce and Baked Goods

PIERRE PAUL BOURDON
Vice-President, Food Services

DENIS BRISEBOIS
Vice-President,
Affiliate Operations

CLAUDE BRUNETTA
Vice-President, Development
and Banner Development

GILLES CARON
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Procurement Grocery

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Vice-President, Meat

SUPER C

YVAN BROCHU
Vice-President, Procurement
and Merchandising

DENIS PASCAL
Vice-President Operations

LOEB CANADA INC.

JOHANNE CHOINIÈRE
Vice-President
and General Manager

RICHARD BEAUBIEN
Vice-President Operations

McMAHON DISTRIBUTEUR PHARMACEUTIQUE INC.

DENISE MARTIN
Vice-President
and General Manager

TRANSFER AGENT AND REGISTRAR
National Bank Trust

BANKERS
National Bank of Canada
Bank of Montreal
Royal Bank of Canada
Caisse centrale Desjardins
Toronto-Dominion Bank

STOCK LISTING
Toronto Stock Exchange
Ticker Symbol: MRU.A

AUDITORS
Ernst & Young LLP
Chartered Accountants

HEAD OFFICE ADDRESS
11011 Maurice-Duplessis Blvd.
Montréal, Québec H1C 1V6

The Annual Information Form may be obtained from the Investor Relations Department:
Tel.: (514) 643-1055
E-mail: finance@metro.ca

Vous pouvez vous procurer la version française de ce rapport auprès du service des relations avec les investisseurs.

METRO INC.'s corporate information and press releases are available on the Internet at the following address:
http://www.metro.ca

ANNUAL MEETING
The Annual General Meeting of Shareholders will be held on January 28, 2003 at 11:00 a.m. at the Sheraton Centre
1201 René-Lévesque West
Montréal, Québec H3B 2L7

*DIVIDENDS**—2003 Fiscal Year

Declaration Date	Record Date	Payment Date
January 27, 2003	February 10, 2003	March 3, 2003
April 15, 2003	May 12, 2003	June 2, 2003
August 5, 2003	August 18, 2003	September 2, 2003
September 30, 2003	November 10, 2003	December 1, 2003

** Subject to approval by the Board of Directors.*

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